

CHAPTER II

LITERATURE REVIEW

2.1 Organizational Transformation

Privatization, Organizational Transformation and Business Reengineering are some of the common and popular strategies being employed by organizations in the past two decades. Compared to other alternatives, these strategies were found able to produce quantum leaps, rather than incremental change in improvement (Kotter, 1990). In this information and technological era, where knowledge may become obsolete in just a matter of weeks, such an approach is critical. Powerful unavoidable macroeconomic forces have driven many organizations to adopt these tools. What are these forces ?

Global trends

The 1980s have seen massive global change and major new patterns of opportunity and threat. They are characterized by the deregulation and globalization of markets, the increased interdependence of the world economy, the emergence of radical new information technology with the promise of information superhighway. Besides, the commercialization and privatization of government businesses and the retreat of business generally to core competencies and the growth and collision of major regional trading blocs are also prevalent. Very few countries are actually insulated from these major forces. They are faced with a situation where if no action is taken to accommodate these forces, then survival is at stake.

Discontinuous change

The nature of change which used to be incremental and evolutionary has itself now changed to increasingly turbulent, rapid and revolutionary. Such discontinuous change does not directly follow the historic logic of the firm's

development. It does not seem to follow particular pattern or trend. Consequently, more pressure is exerted on organizations to continuously and rapidly learn new things and unlearn “the old” (Conole, 1996).

Emerging Organization Models

A picture is slowly emerging about the types of organizational configurations that may form in the 21st century. Nevertheless, the discontinuous change makes it hazardous for any one to predict new organization forms and structures. Limerick and Cunningham (1993), “Managing the New Organizations – A Blue print for Networks and Strategic Alliances,” revealed the essential features of the Fourth Blueprint. This Blueprint emerged because of the need for a more entrepreneurial rather than a competitive culture to deal with discontinuous change (Conole, 1996).

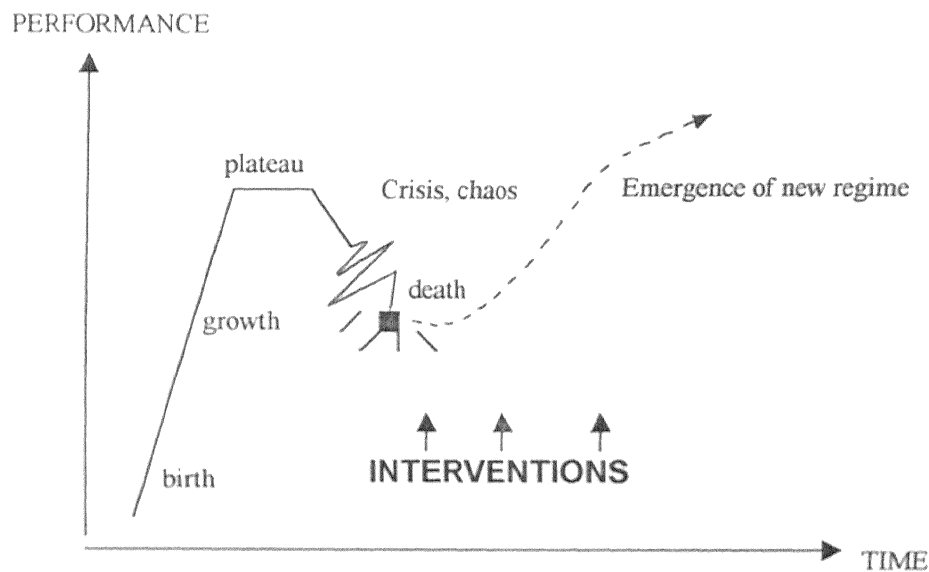
New patterns of strategic thinking

Mintzberg, Hamel and Prahalad placed emphasis on more visionary and creative shaping of strategies through informed strategic thinking instead of strategic planning which was often centralized, bureaucratized and highly proceduralised process. Hamel and Prahalad noted that many layoffs at large companies have been the fault of managers who fell asleep at the wheel and missed the turn off to the future (Conole, 1996).

Effective Planning of Transformational Change

The basic model of change required in this turbulent environment will be transformational approach as opposed to more one dimensional development change, where the future is relatively clear. Transformational change models are more of a dramatic renewal or revitalization of the organization often precipitated by actual or impending crises (Conole, 1996). The concept of Transformational Change can be depicted by the figure 2-1 below :

Figure 2-1 : The Concept of Transformational Change



Source : Conole (1996)

As shown in the diagram, the transformational change strategy must comprise rapid, concurrent INTERVENTIONS in the organization to "unfreeze" and even destroy old structures, systems, strategies and cultures (Conole, 1996). Some of the interventions could be restructuring, introducing new systems, downsizing, divesting, adopting QCCs and creating new mission and vision.

Organizational transformation requires abandoning and changing much of the received and learned wisdom of the past. It means forgetting the norms of how a work is being done and deciding how it can best be done now. In organizational transformation, old organizational structure such as departmentalization and divisions cease to matter. They are artifacts of the previous age which may not be applicable anymore. What really matters is how we are going to organize work to meet the demands of today, given the demand of today's markets and technologies.

2.2 Strategy-System-Structure doctrine

One has to realize that even the finest tool may not be useful if it is not used properly. The key factor that will ensure success in organizational transformation will undoubtedly be the capability of the leaders to anticipate and manage transformational change in the turbulent environments. The western held strongly to the 3S way of management that is Strategy, System and Structure. The norm was "Structure follows strategy and systems supports structure (Bartlett and Ghoshal, 1994)."

These maxims not only influenced the western businesses but was also the architecture of today's largest corporations. However, this aphorisms are no longer adequate. There is a need for Senior managers to move beyond strategy, structure and systems to a framework built on purpose, process and people (Bartlett and Ghoshal, 1994). This is because over time, as corporate size and diversity expanded, strategies, structures and systems became more complex. Consequently, employees' daily activities became more fragmented and systematized. This style may have offered the necessary discipline, focus and control for a high growth environment earlier. However, in the current economic environment where overcapacity, intense competition and fast changing technology is a great challenge, it may not be the best anymore.

The strategy - structure - system doctrine of management made possible the growth of huge corporations that operate multiple businesses in numerous markets. That classic doctrine gave top management three core responsibilities: to be the company's chief strategist, its structural architect, and the developer and manager of its information and control systems. However, this no longer delivers competitive results (Bartlett and Ghoshal, 1995b).

2.3 Purpose – People – Process doctrine

The leaders now need to play an important role in focusing on less formal structural design and more effective management processes. They should also emphasize on developing the employees' capabilities instead of controlling them (Bartlett and Ghoshal, 1994). There is a need to convert the contractual employees of an economic entity into committed members of a purposeful organization.

The continued and heavy reliance on structure in most companies have made the resources fragmented and had created vertical communication channels that insulated business units and prevented them from sharing strengths with one another besides being an obstacle for front liners to be innovative. Consequently, large companies are trying to become increasingly flexible. They have downsized by cutting out layers and laying off staffs. Instead of relying on divisions, they are encouraging cross functional teams in the organizations.

A systems driven organization is one which places high emphasis on having well regulated and rigid way of doing things. In contrary, a people centered model nurtures innovative ideas of frontliners. In this environment managers' role would be less of directing and controlling employees and more of supporting their ideas and initiatives. More and more organizations are beginning to realize its importance and impact on the organization's savings and employees' morale and are changing to this new trend. On top of this, they couple it with offering carrots instead of cane.

As HSSP is service oriented and it's efficiency is very much driven by the ex-government people and processes, this Purpose – People – Process model was found ideal to resolve the issues in this organization.